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TO: Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

FROM: David Berry

DATE: February 12, 2010

SUBJECT: Comments on Proposed Rulemaking on Electric Energy Efficiency
Docket No. RE-00000C-09-0427

Western Resource Advocates (WRA) hereby submits its comments on the Commission's proposed energy efficiency standard as set forth in Decision No. 71436.

A. WRA supports the proposed rule and urges the Commission to formally adopt the rule for the reasons presented below.

1. **Energy efficiency programs save energy**. Recent studies indicate that energy efficiency programs are effective.[1]
2. **The proposed rule has numerous benefits**, including the following:
    a. The cost effective energy efficiency measures contemplated by the proposed rule will save ratepayers money by lowering their overall cost for electric energy services.[2] Energy efficiency is less costly than constructing and operating new power plants and is often less costly than even running existing power plants.
    b. Reduced power generation will result in decreased emissions of carbon dioxide, nitrogen oxides, sulfur dioxide and other pollutants into the atmosphere, thereby reducing Arizona consumers' contribution to climate change, reducing the health impacts caused by emissions from power plants, and reducing damage to wildlife and plants caused by mercury and other power plant emissions.[3] Furthermore,

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[1] See for example, Marvin Horowitz, "Changes in Electricity Demand in the United States from the 1970s to 2003," *The Energy Journal*, 28 (2007): 93-119. Arthur Rosenfeld, "Energy Efficiency: The First and Most Profitable Way to Delay Climate Change," presentation at the Pacific Energy Center, San Francisco, 2008, http://www.energy.ca.gov/2008publications/CEC-999-2008-011/CEC-999-2008-011.PDF. David Berry, "The Impact of Energy Efficiency Programs on the Growth of Electricity Sales," *Energy Policy* 36 (September 2008): 3620-3625.

[2] Consumers demand electric energy services, not electricity *per se*. Electric energy services include lighting, space cooling, water heating, motor power, refrigeration, etc.

[3] There is a large literature on the effects of emissions. See, for example, C. Arden Pope III, Majid Ezzati, and Douglas Dockery, "Fine-Particulate Air Pollution and Life Expectancy in the United States," New *England Journal of Medicine*, 360 (January 22, 2009): 376-386. On the effects of greenhouse gas emissions, see IPCC, 2007: Summary

reduced emissions will reduce the costs for utilities to comply with environmental regulations.

c. The proposed standard will make Arizona more energy efficient.
d. Utilities will be able to recover program costs in a timely manner and any adverse revenue effects on utilities resulting from energy savings will be addressed in rate cases where the Commission will have adequate information to determine the effects of energy savings on utility revenues, taking into account other factors that affect revenues. In addition, utilities are afforded an opportunity to earn performance incentives for superior efficiency programs.
e. The Commission and the public will be informed about efficiency program progress and cost-effectiveness through the proposed implementation plan filings and reporting requirements.

B. The energy efficiency standard is directly related to the Commission's regulatory responsibilities. One of the Commission's principal duties is to set just and reasonable rates for electric service. Another duty is to adopt reasonable rules for the convenience, comfort, safety and health of patrons of public service corporations. The proposed rule will improve the efficiency with which electricity is used, thereby improving the convenience and comfort of customers and making rates more reasonable as less electricity is wasted. As utilities and their customers substitute cost effective energy efficiency for power generation, the aggregate cost of electric energy services will go down.

C. Several minor wording changes would improve the clarity of the rule.

1. R14-2-2409(A)(4)(g): Change: "The environmental savings realized, including emissions and water savings" to read "The environmental benefits realized, including reduced emissions and water savings". "Environmental benefits" is a defined term but environmental savings and emissions savings are not and their meaning is not clear.
2. R14-2-2413(A) and (C): Insert "the" before "baseline".
3. R14-2-2419(B): Change "The affected utility ..." to "An affected utility ...".

D. Achieving the market transformations anticipated by the rule will require an expanded portfolio of delivery strategies. As the utilities and the Commission move forward on energy efficiency, it will be necessary to respond to multiple factors affecting energy decisions such as habit, attitudes, beliefs, values, social norms, costs and benefits, convenience, and available technology.[4] To significantly increase participation in energy efficiency programs, delivery strategies need to address a variety of motivations and obstacles. In general, participation in efficiency programs will increase if multiple delivery mechanisms are combined into an internally consistent strategy to create visibility for energy efficiency, overcome high up-front costs, change habits, utilize social capital to reach potential participants, create social norms, and lead by example.

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for Policymakers. In: *Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* [B. Metz, O.R. Davidson, P.R. Bosch, R. Dave, L.A. Meyer (eds.)], Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

[4] Paul C. Stern, "Changing Behavior in Households and Communities: What Have We Learned?" in National Research Council, *New Tools for Environmental Protection: Information, Education, and Voluntary Measures*, Washington, DC: National Academies Press, 2002: 201-211. Kevin Maréchal, "An Evolutionary Perspective on the Economics of Energy Consumption: The Crucial Role of Habits," *Journal of Economic Issues* 43 (2009): 69-88.